Examining Retailer And Consumer Perceptions In Determining Economic Expectations: A Demonstration With The 2008 Holiday Season

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ABSTRACT

Two stratified probability samples were conducted in the southeastern United States, one of consumers and one of retailers, to measure economic perceptions in the fall of 2008. Direct comparisons were made between consumers' and retailers' perceptions in the areas of the economy, financial soundness, cost of living, and planned consumer holiday spending. The results suggested that retailers and consumers held similar negative perceptions in terms of the state of the economy. Consumers though felt less financially sound than retailers did. Additionally, consumers felt the cost of living has increased to a greater degree than retailers felt their cost of operating had. Finally, there was a considerable difference in consumers' planned holiday spending and retailers' expectations of holiday spending as retailers better predicted that consumers were planning to spend less. The managerial implications for retailers based on these predictions are presented.

Keywords: Retailer Perceptions, Consumer Perceptions, Holiday Shopping

INTRODUCTION

Research Aim

This paper will compare the opinions and expectations of consumers and retailers in the southeast United States in fall, 2008 regarding the 2008 holiday shopping season.

Reasoning For The Focus Of The Paper

The holiday season is the most critical time for many retailers to reach their sales and profit goals (Berlin, LeHane, NeJame, and Meyers, 2009). Furthermore, this time of year is considered by many to be a critical barometer for economic activity and consumer confidence. Many retailers have become extremely dependent on the months during the holiday season. For example, in 2007, holiday sales represented 19.1 percent of total retail industry sales (Davis, 2008). Dodes, Zimmerman, and McCracken (2009) suggest that retailers can generate up to 40 percent of their annual sales during the holiday season while Smith (1999) offers that holiday shopping represents up to 50 percent of profits for retailers. Therefore, understanding and comparing consumer and retailer perceptions of a significant business event, in this case the holiday shopping season, is vital for marketers to understand.

Zimmerman, Saranow, and Bustillo (2009) offered that 2008 was one of the worst holiday sales seasons on record with total retail sales (excluding automobiles) declining 2.5 percent in November and 4 percent in December of 2008; these declines were worse than what was previously forecasted. Crosby (2010) noted the 2008 holiday season was the biggest decline in holiday retail sales in four decades. In comparison, the 2007 holiday retail sales increased 2.4 percent, while the 2009 holiday sales bounced back somewhat from the 2008 lows by approximately 2.8 percent (Crosby, 2010). Retailers are still concerned, as low gift card sales, in the 2009 holiday season suggests that retail sales will still be sluggish at the start of 2010 due to cautious consumers (Crosby, 2010).

In trying to understand why there was such a decrease in holiday retail sales in 2008, the opinions of consumers and retailers in fall of that year may indicate why the 2008 holiday season happened the way that it did. Furthermore, understanding where consumers and retailers agree and disagree with their presumption of the economy will add to marketers' ability to reach consumers with the right message at the right time. This will improve retailers' ability to successfully target consumers.

Previous Research

There are many papers in the retail literature discussing various ways that retailers can more effectively understand and reach their consumers (see Puccinelli, Goodstein, Grewal, Price, Raghubir, and Stewart, 2009). This research includes such topics: as addressing retailers communication and promotional decisions to consumers (see Ailawadi, Beauchamp, Donthu, Gauri, and Shankar, 2009), how pricing impacts the retail market (see Kopalle, Biswas, Chintagunta, Fan, Pauwels, Ratchford, and Sills, 2009 and Tsiros and Hardesty, 2009), and creating a retail customer experience (see Verhoef, Lemon, Parasuraman, Roggeveen, Tsiros, and Schlesinger, 2009). Additionally, there are several papers discussing the gift giving experience (see Vanhamme and de Bont, 2008 and Sherry, McGrath, and Levy, 1992). Finally, there are a few papers that address the holiday shopping season specifically. Allred, Smith, and Swinyard (2006) compared online versus offline holiday shoppers, while Smith (1999) compare urban versus suburban consumers' holiday shopping patterns. What the literature though lacks is research comparing the perceptions of retailers with consumers regarding the most critical time of the year for retailers, the holiday shopping season.

Research and Epistemological Approach

In this paper, we will first present a theoretical framework for our examination of retailer and consumer perceptions. Then, we will review the supporting literature for the topics studied including retailers' economic expectations, consumer's economic expectations, retailer financial soundness, consumers' financial soundness, retailers' cost of operating, consumers' cost of living, and holiday shopping expectations. After reviewing the supporting literature, we will propose four hypotheses in order to test the relationships of the variables studied between retailers and consumers. Then we will describe our methodology to test these hypotheses and finally discuss our results.

Originality of Paper and Contribution

This paper makes a distinct contribution to the literature by being one of the first comparisons of two distinct populations (consumers and retailers) within the same region, during the same time, regarding similar topics. If retailers can better understand the perceptions of consumers, they can better prepare for the critical holiday spending season. We saw this happen with the 2009 holiday season as retailers did a better job of maintaining inventory and price points (Gallagher, 2010), hence reducing the need for big clearance sales (O'Donnell, 2010).

Brown and Dant (2008) offer ways a retailing paper can make a significant contribution to the literature: identifying gaps in the literature, deepening understanding of existing knowledge, and tackling problems that interest practitioners. This paper makes a significant contribution to the literature through measuring and comparing the perceptions of retailers and consumers during the most important time of the retail year. This is a topic that has not yet been addressed in the literature, but is critical to understand due to the importance of holiday retail sales.

The following topics are addressed by both the retailer and consumer samples: economic expectations, financial stability, cost of living/operating, and perceptions of holiday shopping. This paper is important because it highlights the similarities and differences in perceptions that existed between retailers and consumers. The impact of these differences was shown in the holiday retail results. Thus, it is critical that retailers better understand consumer perceptions and how they relate to their own views.

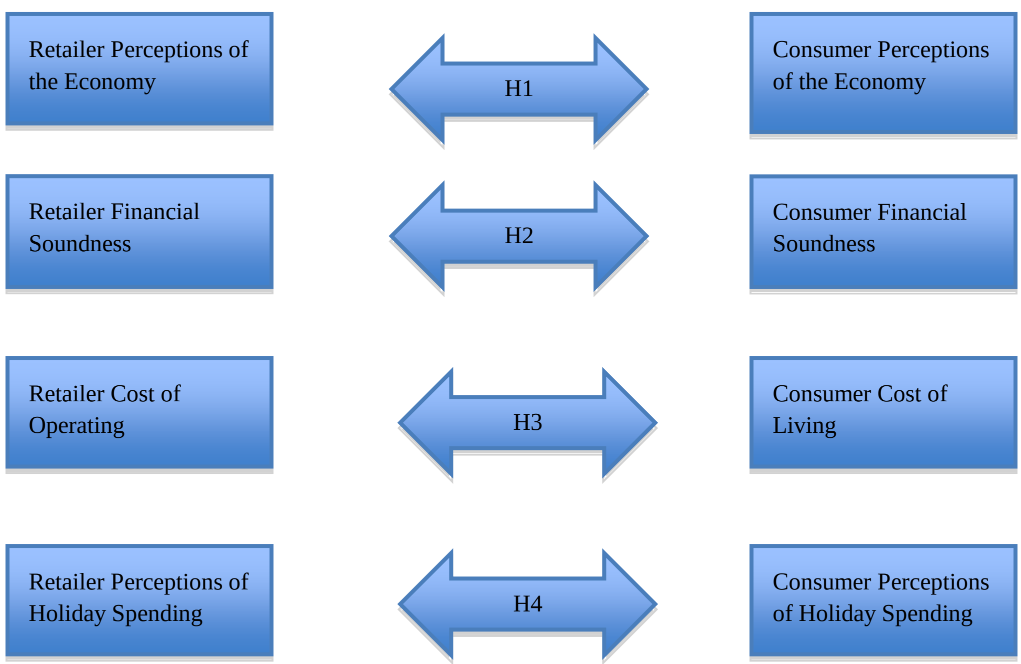
THEORETICAL FRAMEWORK

Given the substantive economic impact of the holiday shopping season, there is a need for more scrutiny in the academic literature regarding the holiday spending season for retailers (Smith, 1999). Smith (1999) approached holiday shopping season research by comparing urban versus suburban consumers in terms of their holiday shopping intentions and outshopping (out of town shopping) behavior. Smith (1999) found no significant difference for urban versus suburban consumers in what they considered a reasonable amount to spend for holiday gifts, holiday spending this year versus last year or when they did their holiday shopping, although there were differences in the type of store patronized and satisfaction levels with different types of shopping outlets.

Allred et al. (2006) segmented Internet users based on whether or not they did any of their holiday shopping online. Allred et al. (2006) found that online holiday shoppers tended to be significantly wealthier, with higher incomes and education levels and they spent more overall in their holiday shopping (including both online and offline holiday purchases) than non-online holiday shoppers. They also found that online holiday shoppers were: more computer-competent, spent more time on computers, and were more likely to be opinion leaders than non-online shoppers (Allred et al., 2006). Finally, Allred et al. (2006) found online holiday shoppers were less fearful of financial loss through online purchases than non-online holiday shoppers. Based on their analysis they developed three segments of online holiday shoppers and three segments of non-online holiday shoppers.

Similar to the other two holiday studies, we are also comparing two groups, but rather than compare different groups of consumers, we are comparing consumers to retailers in terms of their economic perceptions for the upcoming 2008 holiday shopping season. As illustrated in Figure One, specifically, we are comparing these two groups in terms of their perceptions of the overall economy, their level of financial soundness, their cost of living/operating, and how their holiday shopping perceptions for consumers for the upcoming holiday shopping season.

Figure 1: Conceptual Map of Hypotheses



LITERATURE REVIEW

In this section, we discuss the retailers' and consumers' perceptions of the economy, the financial soundness of retailers and consumers, and the cost of living for consumers as compared to the cost of operations for retailers, and opinions of holiday spending for 2008. In discussing the literature review, we present four hypotheses.

Perceptions of the Economy

Consumers

For years, consumer spending has sustained the U.S. economy (Roeder, 2008). The federal government and the business community encouraged spending and consumption with artificially low interest rates. This policy, in part, fueled a 'bubble' in the housing market where too many mortgages were written for more than what the principal properties were really worth (Roeder 2008). With all the reports of the U.S. economy slipping, and the stock market teetering with uncertainty, the question of "if" the country has started a recession, turned into the question of "how bad will the recession be?" According to a survey from NPD Group, 58 percent of consumers in May believed that the U.S. was in a recession, up 55 percent from the month before ("Recession State of Mind" 2008). Though the term "recession" is fairly new to most consumers, the behavior that occurs in recessionary periods has been slowly etching its way into shoppers' choices over previous years. A study conducted by the Nielson Co. found that of the 49 percent of consumers who said that they planned to reduce spending in 2008, more than a third (18 percent) were reducing costs by a "great degree," while the remaining 31 percent were scaling back to a "small degree" (Foucher 2008).

Consumers are valuable gauges of the current economic environment, mostly because their perceptions drive their spending and their spending is one of the major contributors to U.S. economic growth. Here is where perception became reality. Consumers may have foreseen the downturn before it was publicized by the media. In 2007, a Bloomberg/Los Angeles Times poll found that 60 percent of Americans thought it was very or somewhat likely that there could be a recession in the next year (Coy 2007). Another 2007 survey, found that residents of the Southeastern region overwhelmingly perceived the economy as doing badly compared to 2006. With 57 percent of respondents indicating they felt the economy was worsening; additionally, only 6 percent of the region thought that the economy was better than the year before (Hill 2007a).

Retailers

With the 2008 figures, we see that retailers were feeling the impact of a worsening economy. But did they see it coming? A survey conducted in 2008 of 1,800 small businesses owners by the National Federation of Independent Businesses, a trade group, indicated that an index measuring optimism among the owners has dropped to its lowest since 1991. Only 5 percent expected the economy to improve in the coming months (Iwata 2008). In 2007, a survey of retailers in the Southeastern region found that when asked about the current economy only 15 percent of retailers, thought that the economy was better in 2007 than 2006, an 18 percent drop in confidence compared to the 2006 survey (Hill 2007b). Thus given the literature we propose the following hypothesis to measure the relationship between consumer economic expectations and retailer economic expectation:

H1: Perceptions of the economy are the same for retailers as consumers.

Financial Soundness

Consumers

Amid job losses, declining values of retirement funds and a weaker outlook for financial markets, consumers have all but frozen nonessential spending (Cheng, 2008). According to the U.S. Labor Department, the number of Americans drawing unemployment benefits rose to 4.6 million for the week ended December 26, the highest since 1982 (Cheng, 2008). The U.S shed a little more than 1.9 million jobs through November, 2008, and economists claimed an additional half-million jobs were lost in December alone, with the unemployment rate rising to 6.7 percent (Cheng, 2008; Evans, 2009). Consumer confidence slumped in December to the lowest level since the Conference Board first started tracking it 40 years ago, as consumers expressed deep concerns about the economy and some 42 percent said jobs were "hard to get" (Cooper, 2008).

With such uneasiness about job securities, consumers are truly reevaluating their perceptions of how sound their household is financially. With incomes pinched, access to credit tightened, and nest eggs drastically shrunken, Americans are poised to save much more and spend much less. Consumers are struggling with many years of accumulated debt amid dwindling resources, and they are now forced to begin saving a higher percentage of their income, leaving less for spending (Cooper, 2009). The savings rate is already heading up, reaching 2.9 percent of income in the fourth quarter of 2008, the highest in seven years. When credit was flowing freely, households had less need for liquid savings, since they could readily borrow to meet emergencies or other one-time needs, but now credit conditions have turned sharply restrictive (Cooper, 2009). Compared with the previous two recessions, the rise in personal savings has been more dramatic and with the stress from lost wealth and tighter credit, it will persist for some time (Cheng, 2008).

Retailers

Millions of U.S. small businesses have felt the harmful effects of the current drop in housing demand and the resulting recession. Though large corporations are not impervious to the changes in the economy, small businesses lack the financial reserves of bigger companies to weather the long-lasting slump and are severely impacted by emptier shops, weaker sales, and cautious consumers unwilling to spend (Iwata, 2008). Small businesses (26 million in the U.S.) historically, have often led the country out of recessions. That will be difficult if they cannot get the credit and/or capital they need to grow. A 2008 Federal Reserve survey found that 30 percent of banks were tightening standards on commercial and industrial loans to small companies, compared to only 10 percent in 2007 (Cooper, 2009). The current tightening credit market and decrease of access to capital is adversely affecting retailers all over the country. Unfortunately, conditions are likely to get worse; The International Council of Shopping Centers, a trade group, predicts nearly 5,800 store closures this year, outpacing fall 2008, 4,600, in shopping malls across the country (Hudson, 2008). Thus, given the literature we propose the following hypothesis to measure the relationship between consumers' perceptions of financial soundness and retailers' perceptions of financial soundness:

H2: Retailers' and consumers' perceptions of their financial soundness are the same.

Cost of Living/ Cost of Operating

Consumers

U.S. consumers are challenged daily by credit card debt and the resulting interest payments, declining house values, potential for significant inflation, and the constant threat of gasoline prices skyrocketing. In December 2007, Nielsen Home Scan conducted a survey on the impact of higher gas prices on nearly 26,000 consumers which were geographically and demographically representative of the U.S. population. The findings were that half (49 percent) were reducing their spending to compensate for rising gas prices, a 4 percent increase from 6 months earlier (Hale, 2008). In May of 2008, the Consumer Price Index reported food represented about 15 percent of the Consumer Price Index (CPI) and gasoline another 5.2 percent. Food prices had increased 4.4 percent in the last year the, tenth month in a row that food inflation had exceeded 4.0 percent; it had been under 4.0 percent for three years and less than 2.0 percent in mid-2006 (Lieberman, 2008).

The largest component of CPI is housing which counts for about 42 percent of the total index. Home equity, along with IRA's, 401k's and Social Security is viewed as one of the most important sources of retirement income to millions of homeowners (Powell, 2008). The Standard & Poor's Case-Shiller Home Price Index for 10 cities fell by 2.2 percent in November, 2008 (Sweet, 2008). Consumers, after having taken a blow in their home equity, are facing pressure from higher prices for food and commodities and from potential job losses.

Retailers

American retailers have come under tremendous financial pressure as beleaguered consumers curtail their spending. The credit crunch, the housing meltdown, fluctuating oil prices and inflation are challenges for the most established large companies and small businesses vulnerable to changing market conditions. Of all the troublesome economic news, inflation is a major concern for most business owners. According to a 2008 poll by the National Federation of Independent Businesses, inflation is the number one concern of small businesses, with inflation fears being the highest since 1982 (Sweet, 2008). For small business owners, it is difficult to cope with the increase in commodity prices. Sweet (2008) acknowledges that businesses are consolidating departments, laying off employees, honing markets, and re-evaluating every facet of their operations in order to stay lean and efficient. Thus given the literature we propose the following hypothesis to measure the relationship between consumers' cost of living and retailers' cost of operating:

H3: Perceptions of the cost of living for consumers are the same as perceptions of the cost of operating for retailers.

Holiday Spending Perceptions of Retailers and Consumers

Consumers

Holiday spending has always been a major stimulant to the U.S. economy. In 2007, holiday sales represented 19.1 percent of total retail industry sales (Davis, 2008). Unfortunately, retail sales declined 1.7 percent in December 2008 from 2007 (Bustillo, 2008), even as retailers resorted to sharp discounts in attempt to attract credit strapped consumers. When the National Retail Federation initially forecasted 2008 holiday sales, it estimated that retail sales would grow 2.2 percent, well below the industry's 10 year average of 4.4 percent sales growth ("Holiday Sales Expected to Lag" 2008). However, as it became apparent that the economy had turned and was heading for a recessions, consumers and retailers expectations decreased.

Retailers

Stores hired fewer part-time staffers during the holidays to control labor costs (Zimmerman, 2008). Monthly retail-sales figures were a critical barometer of how Americans were reacting to the discouraging news, each month's numbers showing a nation paring back in the face of economic uncertainty, fleeing extravagance in favor of low-priced basics (Bustillo, 2008). As it came closer to December, retailers edited their expectations to match the gloomy outlook. According to a survey done in September of 2008 by BDO Seidman LLP of 100 large retail companies, they expected their companies' same-store sales in November and December to fall an average of 2.7 percent from year-ago levels (Saranow, 2008). In the survey, 88 percent of the executives also said that they plan to offer more discounts and promotions than last year. In a more ominous sign, 65 percent of the executives said they don't expect to see a meaningful economic turnaround until the third quarter of 2009 at the earliest. Economists were soon predicting the "worst holiday season since the recession of 1991" (Zimmerman, 2008). Retailers started fighting back with an arsenal of new selling techniques, staff cutbacks and more emphasis than ever on value and low-prices (Cheng, 2008). With five fewer days between Thanksgiving and Christmas than in 2007, the 2008 holiday season was beginning to look even bleaker.

H4: Perceptions of holiday spending will be the same for retailers as consumers.

METHODOLOGY

Smith (1999) noted that the issues with holiday shopping research discussed in the popular press is its reliance on anecdotal evidence, crude ethnographic observations, small samples, ambiguous measures, and studies conducted and promoted by those in the retail industry. Our study enhances its strengths through data collection using two probability stratified samples, one of retailers and one of consumers in the Southeast with the stratification based on county population in that region. Additionally, trained research assistants administered telephone surveys to both samples. Similar to the methodology used by Smith (1999), we utilized telephone surveys conducted the first week of November to gather data as close as possible to the start of the holiday shopping season. Furthermore this research was done as a university project as opposed to consulting work for a retail client. Finally, for this study, we created and pretested clear and specific attitudinal measures for the retail and consumer samples through utilizing colleagues to take the survey first in written form and then via the phone with the trained research assistants to aid in revising the measures.

Measures

The surveys considered in this paper took a snapshot of perceptions from both sides of the cash register and reveal significant insight into the attitudes about the economy in the weeks before the "recession" was official.

Forecasting Method

There are two common methods used to forecast the economy: forecasting models based on econometric and consumer attitudinal indexes based on survey data. Forecasting models use econometrics, based on hard data, which is collected and refined by the model developer. This method works well when the forecaster needs to predict variables or indicators related to GDP growth. On the other hand, when forecasting variables are related to household spending, consumer indexes and survey research methods can be useful tools for prediction (Kawan and Costsomitis, 2004). This attitude-based forecast gives the researcher another view of the current state of the economy; for example, The University of Michigan Index of Consumer Sentiment is useful when forecasting consumer economic trends one-quarter ahead. Consumers are very aware of changes in their personal economic status so this analysis is appropriate for these hypotheses (Ludvigson 2004). Therefore, when trying to predict the 2008 holiday shopping season consumer confidence, our methodology, utilizing attitudinal items is the correct measure.

Similar to the methodological findings employed for the consumer confidence survey, business confidence surveys tend to have limited success in predicting GDP growth (Phillips, 2003). Again, as was the case with the consumer confidence, this type of forecasting tool was more useful as a short-term predictor of closely related ideas. The Small Business Optimism Index, produced by the National Federation of Independent Business, can help to determine what businesses are planning (Phillips, 2003). This indicates that business confidence will help marketers better predict overall short-term trends and that a survey of businesses is also a good tool for predicting the 2008 holiday shopping season.

Hypothesis 1: The question used to measure economic perceptions of retailers was "How do you think the economy is doing this year compared to last year?" With the given responses including: (1) worse than last year, (2) about the same as last year, (3) better than last year. The survey question used to measure consumer's economic opinions asked "Do you think the economy is (1) worse than it was last year, (2) about the same as it was last year, (3) or better than it was last year?"

Hypothesis 2: The query used to measure retailers' perceptions of their financial soundness was "How financially sound is your company this year compared to last year?" With the given responses being: (1) worse than last year, (2) about the same as last year, (3) better than last year?" Similarly, the survey question used to measure consumers' perceptions of their financial soundness was "Are you (1) better off financially this year than last year, (2) about the same financially this year compared to last year, (3) better off financially this year than last year?"

Hypothesis 3: The question that was used to measure retailers' perceptions of their cost of operating asked "During the past year, do you think that the cost of operating your business has (1) decreased, (2) remained the same, (3) increased?" In order to measure consumer's perceptions of their cost of living, respondents were asked the question "During the past year, do you think the cost of living has (1) decreased, (2) remained the same, (3) increased, in your area?"

Hypothesis 4: The question that was used to measure retailer's perceptions of holiday spending inquired "This holiday season, do you think consumers (1) will decrease their holiday spending, (2) will keep their holiday spending about the same, (3) will increase their holiday spending?" The survey question used to measure consumers' expectations of their holiday spending asked respondents "Is the amount you are spending on holiday gifts (1) less than last year, (2) about the same as last year, (3) more than last year?"

The measures created to test hypotheses one and two were similar to those utilized by Smith (1999) to measure economic well being while the measures created to test hypothesis four were similar to his measure of holiday buying intentions. The most significant differences being that we had created items to measure cost of living/cost of operations, topics that were not addressed in Smith's (1999) study and that he utilized five point scales while we utilized three point scales to make it easier for the respondents.

Sample

In Table One, we present the demographics for our samples of retailers and consumers. For retailers, the demographics include the position of the retail respondent answering the survey, the number of local employees for the retailer, their annual sales, and their number of retail locations in the region. For consumers, the demographics include gender, education, ethnicity, marital status, employment status, and income. A summary of the demographics is discussed for each of the samples below.

Table 1: Demographics of Retailer and Consumer Samples

Retailers				
Position				
	Owner	36.7%	Manager	43.2%
	Other	19.3%		
Number of Employees Locally				
	Less than 10	74.2%	11 to 25	14.8%
	26 to 50	5.7%	51 to 75	2.3%
	76 to 100	1.5%	Over 100	1.6%
Annual Sales				
	Less than $100,000	19.8%	$101,001 to $250,000	17.9%
	$250,001 to $500,000	14.5%	$501,000 to $750,000	5.0%
	$750,001 to $1,000,000	5.0%	Over $1,000,000	13.4%
How Many Locations in This Region				
	1	63.4%	2	13.8%
	3	6.3%	4 or More	15.6%
Consumers				
Gender				
	Male	40.2%	Female	59.8%
Education				
	High School or Less	24.4%	Some College or 2 Year	29.7%
	College Degree	23.0%	Some Graduate School	3.8%
	Graduate Degree	18.2%		
Ethnic				
	Caucasian	78.6%	African American	15.4%
	Hispanic	2.9%	Other	3.8
Marital				
	Married	69.2%	Never Married	8.4%
	Widowed	9.9%	Divorced	9.9%
	Separated	1.0%	Unmarried Partner	1.0%
Employment				
	Full Time Employment	47.2%	Part Time Employment	8.2%
	Retired	31.3%	Unemployed	7.4%
	Not in Labor Force	5.5%		
Income				
	Below $15,000	7.6%	$15,000 to $34,999	10.5%
	$35,000 to $49,999	16.3%	$50,000 to $74,999	28.6%
	$75,000 to $99,999	15.7%	Over $100,000	21.3%

Retailers

The first sample population was made up of retailers in the Southeast with the sampling unit being owners/managers of retail stores and the time frame was late October, 2008 for the purchase of the phone list with calls made the first week of November. A total of 278 surveys were collected with a 20 percent response rate. A list of retailers, purchased from InfoUSA was used as the sampling frame. When asked their title in the business, 36.7 percent stated that they were the owner. "Manager" was the most recurrent answer at 43.2 percent of the respondents. Also, 19.3 percent of those who answered claimed other titles such as key holders, assistant managers, sales managers, supervisors, and family members of the owners/managers. Sales of the businesses called varied significantly, showing the diversity of the sample, however the majority of the businesses surveyed were small businesses whose sales were $100,000 and less.

Of the surveys collected, 19.8 percent stated that their company's sales were less than $100,000 a year, 17.9 percent stated that their company sales were $100,001 to $250,000 a year, and 14.5 percent had annual sales of $250,001 to $500,000. In addition, the two categories of "$500,001 to $750,000" and "$750,001 to $1,000,000", both made up 10 percent. Respondents that answered "over $1,000,000" made up 13.4 percent. The retailers were also asked the amount of employees they currently retained. The answers ranged from 1 to 101 or more. A very large portion (74.2 percent) of the businesses surveyed employed 10 or fewer employees. Approximately 14.82 percent claimed 11 to 25 employees, 5.7 percent with 26 to 50 employees, 2.3 percent with 51 to 75 employees, 1.6 percent with 72 to 100 employees, and a final 1.6 percent out of the 263 respondents said they had 101 or more employees.

The fact that small businesses were the majority of the sample fits the profile of the national marketplace: In 2007, there were 27.2 million businesses in the United States, according to the U.S. Small Business Administration, Office of Advocacy estimates. Census data show that there were 6.0 million firms with employees and 20.4 million without employees in 2005. Small firms with fewer than 500 employees represent 99.9 percent of the 27.2 million businesses in the U.S. (Small Business Administration, 2007). Most small businesses have a single location only; this was true of the sample when asked "How many locations does your firm have in the Southeastern region?" The majority of businesses surveyed (63.4 percent) had only one location. 13.8 percent had only 2 locations in the region. "Three or more locations" made up 6.3 percent, and "4 or more locations" was 15.6 percent.

Consumers

The second sample population was made up of consumers in the Southeast and the sampling unit was households. The time frame was also late October to early November, 2008 (just before the U.S. presidential election.) A total of 450 surveys were collected with approximately a 20 percent response rate. Approximately 59.8 percent of the individuals that took the survey were females. When asked about their employment status, survey respondents fell mostly into two main groups: full-time employment (47.2 percent of the sample) and retired (31.3 percent of the sample). Consumers were also asked about their level of education; some of the most common answers were 4-year college degree (at 23 percent of the sample), and some college (at 29.7 percent of the sample). The sample proved to be varying from respondents with grade school educations to graduate degrees. Almost 86 percent of the population sample claimed they owned their home, with 13 percent claiming they rent their homes. Income levels were diverse, with 28.6 percent respondents classifying themselves in the $50,000 to $74,999 range and 21.3 percent claimed "$100,000 or above" as their household income. The median and mode was 23.7 percent in the "$50,000 to $74,999."

RESULTS

We tested our hypotheses with a series of independent sample t-tests. In Table Two, we present the results of the independent sample t-tests for each hypothesis through illustrating the N, means, standard deviations, t score, degrees of freedom, and significance level for each of the tests. For all the independent t-tests, equal variances were assumed.

Table 2: Independent T-Test Results

	N	Mean	Standard Deviation	t	Degrees of Freedom	Significance (2-tail)
H1: Economic Expectations						
Retailers	272	1.14	0.42			
Consumers	446	1.19	0.46			
Equal Variances Assumed				1.28	716	NS
H2: Financial Soundness						
Retailers	255	1.95	0.68			
Consumers	445	1.70	0.68			
Equal Variances Assumed				4.84	698	.005
H3: Cost of Living/Operating						
Retailers	272	2.60	0.62			
Consumers	439	2.77	0.52			
Equal Variances Assumed				3.94	709	.005
H4: Holiday Sales						
Retailers	260	1.37	0.60			
Consumers	422	1.69	0.62			
Equal Variances Assumed				6.72	680	.001

Hypothesis 1 was tested using an independent sample t-test using the variables of economic perceptions of retailers and economic perceptions of consumer. The results of the t-test were not significant (t=1.28, see Table 2). Hence, we fail to reject the null hypothesis and conclude perceptions of the economy are the same for retailers as consumers.

Hypothesis 2 was tested using an independent sample t-test with the variables of retailers' perceptions of financial soundness and consumers' perceptions of financial soundness. The results of the t-test were significant at the .005 level (t=4.84, see Table 2). Therefore, we reject the null hypothesis and conclude that perceptions of financial soundness differed from retailers to consumers. Retailers felt more financially sound compared to consumers. Retailers overall felt about the same financially as last year, while more consumers felt financially worse off than the year before.

Hypothesis 3 was tested using an independent sample t-test using the variables of retailers' perceptions of cost of operating and consumers' perceptions of cost of living. The results of the t-test were significant at the .005 level (t=3.94, see Table 2). Therefore, we reject the null hypothesis and conclude that retailers' perception of cost of operating and consumers' perception of cost of living differed. Consumers felt their cost of living had increased to a greater degree than retailers felt their cost of operations had increased.

Hypothesis 4 was tested using an independent sample t-test using the variables of retailers' perceptions of consumer holiday spending and consumers' perceptions of their holiday spending. The results of the t-test were significant at the .001 level (t=6.72, see Table 2). Hence, we reject the null hypothesis and conclude that retailers' and consumers' perceptions of holiday spending differed. There was a significant difference in what retailers thought consumers would spend and what consumers claimed they planned to spend. Retailers were more likely to see consumers spending less than consumers perceived themselves spending.

DISCUSSION

For each of our hypotheses we tested the null that there would be no difference in the economic perceptions of retailers versus consumers in the areas of economic expectations, financial soundness, cost of living/operating, and holiday sales. Except for the first hypothesis comparing economic expectations of retailers versus consumers, we rejected the null hypothesis of no difference between the two groups.

In terms of the first hypothesis of economic expectations (H1), there was no significant difference in the perceptions of retailers versus consumers as both groups saw the economy as significantly worse this year compared to last year.

In terms of financial soundness (H2) and cost of living/operating (H3), consumers saw things more negatively than retailers. While retailers basically felt the same as last year in terms of their financial soundness, the consumers felt somewhat worse. In terms of costs, while both groups felt their costs had increased, consumers felt their costs had increased significantly more than retailers.

Finally, in terms of perceptions of consumer holiday spending plans, while both consumers and retailers felt consumers would be spending less this holiday season compared to last year, retailers' perceived consumers would be spending significantly less than the consumers.

Our study suggests that retailers did a better job of predicting consumer holiday spending than consumers; individual retailers this year recognized sooner than consumers, the impact of the negative economy on holiday spending. Thus, they were able to plan accordingly. Based on the findings of this research, retailers must be realistic both in terms of their own expectations, as well as, forecast the expectations of their customers. In terms of financial soundness, both retailers and consumers must constantly evaluate their stability and make fiscal decisions based upon their soundness. Retailer must watch their cost of operating and its effect on their bottom line, and focus on becoming leaner, more efficient businesses. Consumers must also watch their cost of living. They should develop a balance between saving and spending that does not negatively affect their lifestyle. Retailers need to monitor consumers' perceptions of their cost of living as these perceptions may impact how much retail spending they do; as we found in this study, consumers had a more negative view of their cost of living than retailers did for the costs of operating.

Retailers must continue to make adjustments throughout the year to better serve consumer needs. The economy is ever changing, retailers need to recognize and continually measure consumers' economic perceptions in order to stay viable. In order to stay relevant and afloat in troubling times, retailers must forecast consumers' behavior and perceptions, and evolve within their markets to maintain and increase market share (Roth, 2009). Additionally, retailers may need to measure and improve consumer attitudes towards retailers themselves as Shim and Eastlick (1998) found consumers' individual attitudes towards shopping malls were a direct predictor of shopping mall behavior.

Davis (2008) also recommends holiday retailers researching when the bulk of their holiday shoppers will intend to shop. Understanding the perceptions and plans of their consumers, retailers can break their market down into different groups, each with different characteristics that react to marketing differently. The motivations and behaviors of the consumer that shops the day after Thanksgiving differs greatly from the behaviors and motivations of a consumer that dashes in the night of Christmas eve. If a retailer can tap into the items that these different customers are shopping for, and map out how they go about purchasing their gifts, that retailer can greatly influence their holiday sales.

In terms of what this means for retail managers, there are several areas of implications. The economic climate has already led to sharp cuts in marketing budgets, and more are inevitable. When figuring out the best way to allocate ever-scarcer resources, there's one crucial principle to remember: keeping customers already frequenting a business is a lot easier, and less expensive, than trying to land new ones. Retailers may need to come up with new ways to price their products; for example, this may mean accepting a newer, lower profit-margin on premium products. Another option would be to phase out price promotions gradually through "steadily decreasing discounting" rather than utilizing a high-low or everyday low pricing models as described by Tsiros and Hardesty (2009). In some cases, rethinking a marketing or pricing strategy may not be enough (Roth, 2009). The continuing economic fallout may mean that customers simply can't afford certain products or services anymore and marketers must change their whole business model to match the new reality.

Additionally, given that retailers may have to discount more to encourage consumer spending, it is more vital now than ever that they reduce their operating costs. According to Davis (2008), retailers cannot survive this busy time of year without controlling theft. In the 2007 holiday season, 92 percent of stolen merchandise was returned for cash or other goods. In the 2006 holiday season, return fraud cost retailers $3.7 billion during the holidays, and $10.8 billion throughout the entire year (Davis, 2008). Inventory measurement is also a critical issue. With the 2009 holiday season, retailers kept a tight control on inventory levels (Crosby, 2010) which decreased the need for big clearance sales (O'Donnell, 2010). While this may have made sense given current economic conditions, Koschat (2008) presents empirical evidence that consumer demand can vary with inventory levels and as inventory levels decrease, demand for that brand can also decrease, thus decreasing inventory levels may not be a feasible long-term strategy for retailers.

Finally, our results suggest that the holiday season may no longer be the economic boom for retailers in terms of sales and profits. In today's economic climate, retailers simply must focus on the customer, not just during the months of October, November, and December, and other high points of the year, but throughout all 12 months of the year. The retail industry must become more service oriented, meeting the ever-changing demands of the customer over the entire year. Establishing and maintaining customer relationships should take precedence over immediate profit and short-term visions. In order to maintain relationships with customers, retailers, even small retailers, must become more data focused in their marketing. We feel the holiday season will still be a pivotal and important season for the U.S. retailer, but as consumers become more skeptical and fickle in these uncertain times, a year-round customer will be far more valuable than one simply looking for the cheapest door-buster of a Black Friday blitz.

Over the course of the study, several limitations presented themselves. Although our research focused on a regional location of the southeast, future research could conduct this type of study on a national basis. Within the instrumentation used to gather the data, only single-item measures were used for ease of conducting the phone surveys. In the future, multiple-item measures would be useful to further understand economic perceptions. For example, future research could include multi-items measures of consumer confidence, such as Bechtel's (1997). Another way to improve the usefulness of this data is through the development of a regional index of consumer attitudes towards holiday spending. This would be a useful tool for local businesses and marketers and would provide a numeric look at the consumer's impression of the economy. Creating an index such as this requires a long-term commitment to building and testing a model and would be the next step for this analysis.

Finally, future research could examine and compare other topics of importance to retailers and consumers; for example, holiday returns as holiday returns can hurt retail sales by as much of $200 billion and impact future sales to those customers making returns by as much as ten percent (Anonymous, 2010). Another potential topic is the potential of social media to pitch sales, gain feedback, and build relationships with consumers (Walker, 2010). Finally, research could investigate the meaning of gift giving for consumers and how retailers can better aid consumers in their holiday gift spending (Sherry et al. 1992; Vanhamme and deBont, 2008).

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